



Criminal Intelligence Service BC/Yukon

Mailstop #704 – 14200 Green Timbers Way Surrey, BC V3T 6P3
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CISBC-YT Money Laundering Collection Initiative (2018)

Date: 2018-05-03

Revision: 2.0

V1

Context

In July 2017, CISBC/YT Analytics Manager, Ryland WELLWOOD, assigned V1 [REDACTED] to the Money Laundering Portfolio. The intent was to develop the Money Laundering Portfolio including developing a contact list of experts and creating strategic assessment reports on the involvement of organized crime in money laundering in BC and YT.

Money Laundering: Topics and Priorities

In March, 2018, PTA lead, V1 [REDACTED], tasked V1 [REDACTED] to provide a list of topics that related to the money laundering criminal market portfolio (relating to threat and OC involvement), including prioritizing topics in terms of the threat.

Methodology

The assessment of topics was based on various criteria in order to be assessed as HIGH, MEDIUM, LOW, and UNKNOWN. As such, a cursory review of the OC Groups in BC were reviewed and a list of money laundering topics were identified. An environmental scan was reviewed of open source new media reports and other open source intelligence reports. Other topics have been identified through conversations with others with knowledge of money laundering issues (experts), current FSOC and CFSEU projects and topics identified during the money laundering national working group (MLWG). See Table 1. Assessment of topics, and Table 2. List of topics proposed.

It is proposed to CISBC/YT management that topics be considered for the next 9-12 months.



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| Table 1 Assessment of Topics: | |
|-------------------------------|---|
| High | <p>OC groups in BC/Yukon has control over or directs ML operations for their own purposes, and/or for others ML operations, AND 5 or more of the following criteria:</p> <ul style="list-style-type: none"> - International reach (high scope in operations) - the known use of others (smurfs/nominees/strawmen) & the potential of corrupted staff - Known infiltration of private sector in Canada and/or other jurisdictions - Known infiltration of the public sector in Canada and/or other jurisdictions - Known component of physical violence and/or elements of public safety - Significant challenges for LE agencies (ie. LE in BC alone cannot address) - The known use of trained professionals to assist with ML operations - High public reporting on topic & public perception on LE tackling ML |
| Medium | <p>OC groups in BC/Yukon has influence over the vehicle to facilitate ML operations AND 3 or more of the following criteria:</p> <ul style="list-style-type: none"> - International reach (high scope in operations) - Suspected use of others (smurfs/nominees/strawmen) & the potential of corrupted staff - Suspected Infiltration of private sector - Suspected infiltration of the public sector - Potential component of physical violence and/or elements of public safety - Challenges for LE agencies (ie. LE in BC alone cannot address) - The suspected use of trained professionals to assist with ML operations - Some public reporting on topic & public perception on LE tackling ML |
| Low | <p>OC groups in BC/Yukon has links to, influence or control over the vehicle and suspected to facilitate ML operations AND 2 or more of the following criteria:</p> <ul style="list-style-type: none"> - Suspected International reach (high scope in operations) - Suspected attempt infiltration of private sector in Canada and/or other jurisdictions - Suspected attempt infiltration of the public sector in Canada and/or other jurisdictions - No component of physical violence and/or elements of public safety - Limited direct involvement with LE agencies - Public reporting: Possible public speculation without concrete info (BC) |
| Unknown | <p>OC groups in BC/Yukon has unknown influence or control over the vehicle and suspected to facilitate ML operations AND 2 or more of the following criterions:</p> <ul style="list-style-type: none"> - Suspected International reach (high scope in operations) - unknown infiltration of private sector in Canada and/or other jurisdictions - unknown infiltration of the public sector in Canada and/or other jurisdictions - No component of physical violence and/or elements of public safety - Limited direct involvement with LE agencies - Public reporting: Possible public speculation without concrete info (BC) |



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Proposed Topics

There are three topics relating to money laundering that are proposed for follow up and intelligence assessments. These topics were selected as a result of various attributes, such as public interest and visibility; high threat & use by OC Groups; the potential of high scope (international connectivity); increased challenges to LE/AML regime and the use of MSB, PSP and casinos as a medium to facilitate ML operations.

Topics include:

1) MSB/Alternative Money Remittance systems (prior topic researched)

High threat due to:

- There are BC providers that have OC Groups as clients (professional money launderers with MSB) in other provinces
- OC groups in BC/Yukon has control over or directs ML operations for their own purposes and/or for others
- Professional ML: Those known to operate MSB are often sought by TNOG Groups to facilitate ML operations
- International reach and international scope

Subtopics:

- Registered MSB vs non registered MSB and how the MSB system is based on expectance to comply. There is no enforcement to comply or register your MSB.
- Alternative money remittance systems (eg: hawala, hundi, chitti, and undiyal) used by OC groups and understanding the token system of Hawala.

2) LE challenges of investigating & prosecuting Money Laundering in BC and Yukon

High threat due to:

- Current challenges (burden of evidence, lack of expertise, lack of resources)
- Future challenges
- Issues with other countries ML legislation and foreign policies

- offshore companies and accounts
- foreign criminals can also use Canadian corporations and trusts to conduct money laundering
- foreign AML measures and effects of investigation into ML

Subtopics:

- Charges and proceeding with offence-related property vs proceeds of crime
- Seizure: civil forfeiture vs. criminal forfeiture
- Partnership with agencies and sharing of information (challenges)



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3) Professional money launderers- Facilitators of Money Laundering Operations in BC/Yukon

-often referred to as third party ML professionals

High threat due to:

-specialization in laundering POC for a fee

-In some cases, professional money launderings can be professional service providers (lawyers, real estate agents, bankers, lawyers) and MSB operators

-use occupation, business infrastructure and knowledge to facilitate money laundering for criminal clients

Subtopics:

-International money controllers are high threat as they control the international operations of ML through various countries. It is unknown, but suspected, that there are OC Groups in BC that are suspected to be international money controllers

-LE challenges regarding knowledge, intent and connectivity to the predicate offence

-International connectivity including connections to TNOG



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| Table 2. Topics | Strategic Priority | Considerations-Why? Details | Rank |
|---|--------------------|---|------|
| TBML | High | Already done | |
| MSB/ Alternative Money Remittance systems (Research was started for as a prior topic) | High | <p>High threat due to:</p> <ul style="list-style-type: none"> -There are BC providers that have OC Groups as clients (professional money launderers with MSB) in other provinces -OC groups in BC/Yukon has control over or directs ML operations for their own purposes and/or for others -Professional ML: Have known to operate MSB are often sought by TNOG Groups to facilitate ML operations -International reach and international scope <p>Subtopics:</p> <ul style="list-style-type: none"> -Registered MSB vs non registered MSB and how the MSB system is based on expectance to comply. There is no enforcement to comply or register your MSB. - Alternative money remittance systems (aka: hawala, hundi, chitti, and undiyal) used by OC groups and understanding the token system of Hawala. | 1 |
| LE challenges of investigating & prosecuting Money Laundering | High | <ul style="list-style-type: none"> - Current challenges (burden of evidence, expertise, resources) - Future challenges - Issues with other countries ML legislation and foreign policies <ul style="list-style-type: none"> ▪ offshore companies and accounts ▪ foreign criminals can also use Canadian corporations and trusts to conduct money laundering ▪ foreign AML measures and effects of investigation ML - Charges and proceeding with offence-related property vs proceeds of crime - Seizure: civil forfeiture vs. criminal forfeiture - Partnership with agencies and sharing of information (challenges) | 2 |
| Professional Money launderers-Facilitators (general overview) | High | <ul style="list-style-type: none"> -often referred to as third party ML professionals -specialize in laundering POC for a fee -in some cases, professional money launderings can be professional service | 3 |

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| | | <p>providers (eg, lawyers, real estate agents, bankers) and MSB operators</p> <ul style="list-style-type: none"> -use occupation, business infrastructure and knowledge to facilitate money laundering for criminal clients -international money controllers in BC? -LE challenges about knowledge, intent and connections to the predicate offence -international connectivity including connects to TNOC | |
| <p>Professional services providers (General overview - further broken down into other topics including: MSB, Lawyers, Real Estate [Mortgage Brokers, Real Estate Agents] Accountants)</p> | High/Unknown | <ul style="list-style-type: none"> - individuals can be trained professionals, such as lawyers, notaries, accountants, financial industry advisors, real estate agents, goods traders or business owners; or facilitators operating MSB -various OC Groups use PSP as a medium to facilitate ML operations, unwittingly, while other are criminally inclined (proof of intent, knowledge is difficult) - there is potential that OC Groups have corrupted PSPs - could just be a subtopic of Professional money launderers - at the current time involved individuals is an information gap | |
| <p>International money controllers</p> | High | <ul style="list-style-type: none"> -what BC-based OC groups are involved? -defining international money controllers -high threat as they control the international operations of ML through various countries: V3: Ongoing Investigation | |



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| Private lenders/Non Federally regulated mortgage lenders | High | <ul style="list-style-type: none"> - mortgage lenders can be publicly-traded, privately-held or owned by private equity companies; wholly or partly owned by a Canadian federally regulated financial institution or by a foreign financial institution - include companies such as mortgage finance companies, real estate investment trusts, mortgage investment corporations, mutual fund trusts, syndicated mortgages or individuals acting as private lenders - purchasing property using a mortgage and making the mortgage payments using proceeds of crime - bypass reporting on PCMLTFA - private lenders and OC Groups V3: Ongoing Investigation | |
| Businesses (General overview - further broken down to other topics including: shell and front companies) | High | <ul style="list-style-type: none"> - are there certain businesses susceptible to be used in ML operations? - cash only businesses - granite companies - import/export companies - overview of the mingling of legitimate funds with illicit funds to obscure the source - issues of information on beneficial ownership - shell and front companies | |
| Casinos and Gaming | High | <ul style="list-style-type: none"> - Current projects in BC investigating this aspect V3: Ongoing Investigation - public visibility - various OC groups (listed in PTA) have been linked to using casino as a medium to complete some aspect of laundering POC - other gaming mechanisms including online gaming and horse racing - use of refining smaller bills to larger bills - illegal gaming house (non-regulated casinos) - extortion and loan sharking - the use of casino chips to transfer POC? - legislation changes and enforcement challenges | |
| Extortion | High | <ul style="list-style-type: none"> - extortion is often conducted in conjunction with or in furtherance of other | |

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| | | <p>crimes, such as drug trafficking, illegal gambling and human trafficking</p> <ul style="list-style-type: none"> -Virtual kidnapping -OC groups systematically use extortion as a tool to obtain money- V1 - victims | |
| Laundering proceeds of fentanyl trafficking | High | <ul style="list-style-type: none"> -FINTRAC involvement (Operational Alert) to support Project Guardian -helping business detect and report suspicious dealing that may be linked to illicit fentanyl | |
| Real Estate | High | <ul style="list-style-type: none"> - methods to launder the POC through real estate transactions: purchasing or selling properties; accessing financial institutions through gatekeepers; assisting the purchase or sale of property; and using mortgage and loan schemes (DOF, 2018) - real estate brokers, sales representatives and developers (under PCMLTFA) vs. non regulated mortgage insurers, land registries and title insurance companies - public visibility - V1 | |
| Human Trafficking (ranked lower due to limited information/no known OC Groups involved in BC) | Medium | <ul style="list-style-type: none"> -Project Protect (targets human trafficking for the purposes of sexual exploitation by focusing on the money laundering aspect of the crime) -online prostitution advertisement (issues such as Backpage.com) & is there a Canadian nexus | |
| Movement of Cash | Medium | <ul style="list-style-type: none"> -overview of movement of cash including cash obtained from illicit activity & integration in legitimate channels -physical cash movement vs wire transfers (what is the norm? Is physical cash dying out) | |

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| | | <ul style="list-style-type: none"> -foreign currency regulations -virtual currency | |
| Mass Marketing Fraud (MMF) | Medium | <ul style="list-style-type: none"> - is very prevalent in Canada and Lower Mainland is considered a base of operation for MMF schemes; common types of scams in Canada include service scams, prize scams and extortion scams - use a range of ML methods and sectors, including smurfing, structuring, the use of nominees and money mules, shell companies, MSBs, the informal banking system and front companies - large # of victims - international reach - OCG in BC have been connected to MMF ^{V1} [REDACTED] | |
| Securities Dealers/ Stock Manipulation | Medium | <ul style="list-style-type: none"> -believed to be mainly used in the layering stage -securities traded over the counter are exchanged directly between entities rather than through an organized stock exchange -Use of off-book transactions, registered representatives, offshore accounts and nominees -OC nexus confirmed ^{V1} [REDACTED] | |
| ATM White Machines | Medium | <ul style="list-style-type: none"> -the use of privately automated teller machines -criminal actor or criminal directed nominee using to machine for placement stage of POC ^{V3: Ongoing Investigation} [REDACTED] | |
| Cybercrime and the use of virtual currency | Medium | <ul style="list-style-type: none"> -methods? -the use of the internet (predicate offences such as online prostitution, extortions and sales of drugs, weapons etc. on the Darknet) -the use of virtual currency as POC -the use of cryptocurrency machines for ML | |
| High-Value Goods | Medium | <ul style="list-style-type: none"> - the use of high value goods such as automobiles, boats, yachts, art, | |

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| Dealers (General overview - further broken down to automobiles, dealers in precious metal and stones) | | antiques property, jewelry used instead on monetary instrument - laundering POC through such goods -the use of high value goods such as vehicles at the integration, possibly placement, phase of ML - lack of monitoring and reporting to FINTRAC, public visibility - legislation changes? | |
| Dealers in precious metals and stones | Medium | - securities dealers - the use of precious metals and stones as a form of trade - the value of diamonds/gold and issues with importing; what is the true value of importing diamonds in bulk | |
| Tax Evasion | low | -underpaying or evading the payment of taxes owing or to unlawfully claim refunds or credits -eg: Paradise papers -unconfirmed links to OC Groups | |
| FINTRAC and relationship with financial institutions | <u>low</u> | - reporting entities vs non reporting entities - enforcement limitations | |
| ML and foreign policies | low | -challenges of different jurisdictions -offshore companies and accounts -foreign criminals can also use Canadian corporations and trusts to conduct money laundering -foreign AML measures and effects of investigating ML | |
| Prepaid Cards | low | - the use of prepaid cards to refine and transport value - anonymous and portable - closed loop cards vs open loop cards | |
| Life Insurance | unknown | - life insurance companies offer a variety of vulnerable products and services, including wealth management and estate planning - dirty funds in the forms of checks, money orders or wire transfer to | |

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| | | <p>purchase a life insurance policy and cash it out prematurely</p> <ul style="list-style-type: none"> -life insurance companies rely on third parties and independent brokers to sell their product -reporting entity under PCMLTFA -unknown re occurrences in BC | |
| Corruption in Canada | unknown | <ul style="list-style-type: none"> - bribery of officials to facilitate ML by undermining AML measures - investigating offices or private sector compliance staff - international organizations, political influence - unknown activity by OC Groups in BC currently | |
| Non-profit organizations | unknown | <ul style="list-style-type: none"> - unknowingly sending money abroad for ML or terrorist financing - are there links to OC? - not subject to PCMLTFA | |
| Crowd Funding | unknown | <ul style="list-style-type: none"> -Low level sophistication -Creating fraudulent situations, victims send funds, creates need for ML | |
| Wildlife Crime | unknown | <ul style="list-style-type: none"> -Low level sophistication -appears to be focused on immediately placing or integrating the proceeds for personal use | |
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